

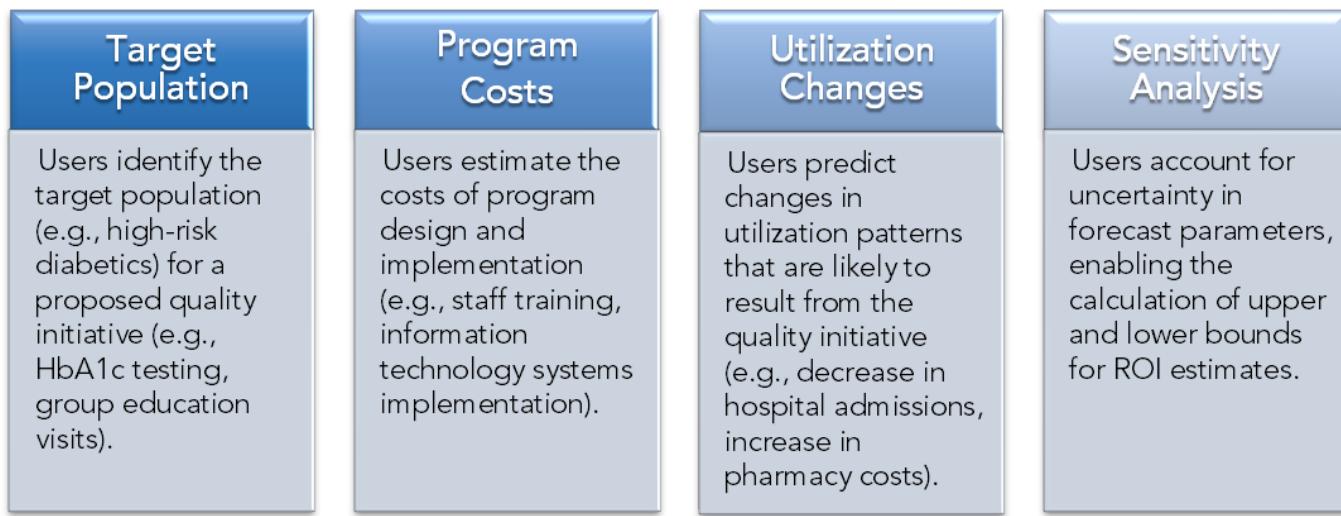
Return on Investment Forecasting Calculator

Medicaid presents tremendous opportunities to demonstrate the business case for improving health care quality. Of the more than 55 million people served by the program, adults with disabilities and chronic conditions represent only one quarter of the population, yet consume nearly 70 percent of Medicaid's resources. Investing in programs that more effectively manage the care of these high-risk, high-cost beneficiaries can improve health outcomes, reduce unnecessary utilization, and control Medicaid expenditures. This investment can ensure greater value for every Medicaid dollar spent, while providing the highest quality care for those who need it most.

To help Medicaid stakeholders assess and demonstrate the return on investment (ROI) from proposed initiatives to improve quality of care, the Center for Health Care Strategies (CHCS) developed the *ROI Forecasting Calculator*.

ROI Forecasting Calculator

The *ROI Forecasting Calculator* is designed to help state Medicaid agencies, health plans, and other stakeholders decide where to make investments in quality—or make a financial case for obtaining the resources to make those investments in the first place. The *ROI Forecasting Calculator* is a front-end planning tool that includes four primary components:



Based on these inputs, the *ROI Forecasting Calculator* estimates the expected ROI for the proposed quality initiative.

The Evidence Base

Accurate prediction of changes in utilization patterns is among the more challenging aspects of forecasting ROI for quality improvement efforts. To assist in this process, CHCS incorporated an “Evidence Base” dataset feature into the *ROI Forecasting Calculator* that allows users to automatically populate forecast assumptions from comparable initiatives to improve quality. Within the Evidence Base, users may browse and select from the results of published studies, as well as from the results of similar interventions by other states or health plans.

The Evidence Base currently includes a selection of studies for clinical topics and conditions of high priority to Medicaid stakeholders, including asthma, diabetes, congestive heart failure, depression and high-risk pregnancy. CHCS and partners are conducting a literature review to increase the depth and breadth of studies from which users of the tool may draw their assumptions.

Using the ROI Forecasting Calculator

The *ROI Forecasting Calculator* has the potential to be useful to Medicaid stakeholders in numerous ways. First, the tool can be used to predict the financial implications of proposed quality initiatives. Users specify key program attributes, such as target population size and projected utilization changes, and calculate the expected ROI based on these assumptions. By varying one or more of these assumptions, users can assess the impact of changes in program design, implementation costs, or patient outcomes on expected financial returns.

Alternatively, users of the tool can start with a targeted ROI and work backward, employing the tool to identify program attributes that will be required to generate a desired return. For example, policymakers may be interested in conducting breakeven analyses for programs that are required to meet budget-neutrality standards. To do this, users of the tool could assess the magnitude of reduction in utilization that would be necessary for a particular quality

initiative to cover its implementation costs, holding all other assumptions constant. Similarly, users could identify the minimum size of the population that must be reached by the intervention, the maximum threshold for program-related costs, or the timeframe within which utilization changes must occur in order to achieve breakeven or another targeted ROI.

The ROI Forecasting Calculator can help Medicaid stakeholders decide where to invest in quality, and can facilitate discussions of the financial impact of quality initiatives beyond traditional budget cycles.

Ultimately, CHCS would like to see the *ROI Forecasting Calculator* used to facilitate budget discussions about quality investments, improving understanding of the time horizon for payoff of such investments. Just as the budget implications of cuts in Medicaid eligibility and benefits can be estimated, decision makers should be able to project the costs and benefits of investments in quality. By using the *ROI Forecasting Calculator*, Medicaid stakeholders will be better able to assess and demonstrate the financial implications of quality investments beyond their upfront costs, with an eye toward the longer term.

For More Information

CHCS is currently working with several health plans and states nationally to test the use of the *ROI Forecasting Calculator*. If you are interested in finding out more about this tool and/or potentially testing its use, please contact Allison Hamblin at ahamblin@chcs.org or (609) 528-8400.

About CHCS

The Center for Health Care Strategies (CHCS) is a national non-profit organization devoted to improving the quality of health services for beneficiaries served by publicly financed care, especially those with chronic illnesses and disabilities. CHCS advances its mission by working directly with states and federal agencies, health plans, and providers to design and implement cost-effective strategies to improve health care quality.